

**THE LEARNING CENTER FOR FAMILIES**

**FINANCIAL STATEMENTS**

**YEAR ENDED JUNE 30, 2006**



**HINTONBURDICK**

**HINTON BURDICK HALL & SPILKER PLLC**

**CPAs & ADVISORS**

# THE LEARNING CENTER FOR FAMILIES

## Table of Contents

	<u>Page</u>
<b>Independent Auditors' Report</b> .....	1
<b>Financial Statements:</b>	
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Cash Flows .....	5
Notes to the Financial Statements.....	6
<b>Supplemental Information:</b>	
Statement of Functional Expenses.....	13
<b>Federal and State Reports:</b>	
Report on Compliance with Federal Laws and Regulations and Internal Controls .....	15
Report on State Compliance.....	17
Schedule of Expenditures of Federal Awards .....	18
Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance with OMB Circular A-133 .....	20
Schedule of Findings and Questioned Costs .....	22
Findings and Recommendations.....	24
Management's Responses to the Findings and Recommendations.....	

**THIS PAGE INTENTIONALLY LEFT BLANK**



# HINTONBURDICK

HINTON BURDICK HALL & SPILKER PLLC  
CPAs & ADVISORS

## Independent Auditors' Report

Executive Director and Members of the Board  
The Learning Center for Families  
St. George, Utah

MEMBERS:  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
BRENT R. HALL  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
PHILLIP S. PEINE  
MICHAEL K. SPILKER  
MARK E. TICHENOR

We have audited the accompanying statement of financial position of The Learning Center for Families (a non-profit corporation) as of June 30, 2006, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Center's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Learning Center for Families as of June 30, 2006, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2006, on our consideration of Center's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The accompanying statement of functional expenses is presented for purposes of additional analysis and is not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements.

The statement of functional expenses and schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, are fairly presented in all material respects in relation to the financial statements taken as a whole.

*Hinton, Burdick, Hall & Spilker PLLC*

HINTON, BURDICK, HALL & SPILKER, PLLC

December 22, 2006

**THE LEARNING CENTER FOR FAMILIES**  
**Statement of Financial Position**  
**June 30, 2006**

---

**Assets**

Current assets:

Cash and cash equivalents	\$ 35,323
Grants receivable	108,615
Deposits	3,432
Prepaid insurance	<u>3,873</u>

Total current assets	<u>151,243</u>
----------------------	----------------

Fixed assets:

Furniture and equipment	42,665
Vehicles	37,959
Leasehold improvements	52,726
Accumulated depreciation	<u>(101,537)</u>

Total fixed assets	<u>31,813</u>
--------------------	---------------

Total assets	<u><u>\$ 183,056</u></u>
--------------	--------------------------

**Liabilities and net assets**

Current liabilities:

Accounts payable	\$ 29,701
Accrued liabilities	<u>44,126</u>

Total current liabilities	<u>73,827</u>
---------------------------	---------------

Total liabilities	<u>73,827</u>
-------------------	---------------

**Net assets**

Unrestricted	<u>109,229</u>
--------------	----------------

Total net assets	<u>109,229</u>
------------------	----------------

Total liabilities and net assets	<u><u>\$ 183,056</u></u>
----------------------------------	--------------------------

The accompanying notes are an integral part of the financial statements.

**THE LEARNING CENTER FOR FAMILIES**  
**Statement of Activities**  
**For the Year Ended June 30, 2006**

	<b>Unrestricted Total</b>
<b>Revenues, gains, and other support:</b>	
Grant income	\$ 1,621,381
Contribution income	114,381
Third party reimbursements	22,403
Interest income	<u>1,570</u>
Total revenues, gains, and other support	<u>1,759,735</u>
<b>Expenses and losses:</b>	
Program services:	
Program A - Early Intervention / Early Head Start	1,635,251
Support services:	
Management and general	<u>184,042</u>
Total expenses and losses	<u>1,819,293</u>
Change in net assets before extraordinary items (including the effect of a change in accounting principle for the current year)	(59,558)
Cumulative effect of a change in accounting principle	<u>(73,138)</u>
Change in net assets	(132,696)
Net assets at beginning of year	<u>241,925</u>
Net assets at end of year	<u><u>\$ 109,229</u></u>

The accompanying notes are an integral part of the financial statements.

**THE LEARNING CENTER FOR FAMILIES**  
**Statement of Cash Flows**  
**For the Year Ended June 30, 2006**

---

<b>Cash flows from operating activities:</b>	
Cash received from grants	\$ 1,593,394
Cash received from contributions	114,381
Cash received from third party reimbursements	22,403
Interest received	1,570
Cash paid for program expenses	(1,577,437)
Cash paid for management and general expenses	<u>(173,589)</u>
 Cash flows from operating activities	 <u>(19,278)</u>
 Net increase in cash and cash equivalents	 (19,278)
 Cash and cash equivalents, beginning of year	 <u>54,601</u>
 Cash and cash equivalents, end of year	 <u><u>\$ 35,323</u></u>
 <b>Reconciliation of change in net assets to cash flows from operating activities:</b>	
 Change in net assets	 \$ (59,558)
Adjustments needed to reconcile change in net assets to net cash provided by operating activities:	
Depreciation expense	63,835
Changes in operating assets and liabilities:	
(Increase)/Decrease in grant receivables	(27,987)
(Increase)/Decrease in prepaid insurance	10,453
Increase/(Decrease) in accounts payable	4,773
Increase/(Decrease) in accrued liabilities	<u>(10,794)</u>
 Cash flows from operating activities	 <u><u>\$ (19,278)</u></u>

The accompanying notes are an integral part of the financial statements.



**THE LEARNING CENTER FOR FAMILIES**  
**Notes to the Financial Statements**  
**June 30, 2006**

---

**Note 1.            Summary of Significant Accounting Policies**

---

This summary of significant accounting policies of The Learning Center for Families, (the Center) is presented to assist in understanding the Center's financial statements. The financial statements and notes are representations of the Center's management, which is responsible for their integrity and objectivity. The accounting policies conform to generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Description of Program

The Learning Center for Families (a nonprofit organization) was organized under the laws of the State of Utah and began operations on February 9, 1994. The Center provides the following services to provide early intervention educational and therapeutic services to children and their families:

**Early Intervention-**The Center operates a multifaceted early intervention program that provides families with comprehensive individualized services. The key points to the service delivery system are;

- The provision of family focused, culturally competent services,
- Community outreach and early identification of eligible children,
- Multi-disciplinary assessment,
- Empowerment of families by providing a wide array of supportive assistance,
- Effective staff development,
- Full participation with existing associate agencies in Washington County in the actualization of a shared community vision for all families of children with special needs.

**Early Head Start-**The Center established this program for low income pregnant women and families with infants and toddlers to enhance the children's physical, social, emotional and cognitive development. The program also is designed to enable parents to be better caregivers to and teachers of their children and help parents meet their own goals, including that of economic independence.

The Center is primarily funded by grants through the State of Utah Department of Health for the Early Intervention program and the United States Department of Health and Human Services for the Early Head Start program.

Basis of Accounting

The financial statements of the Center have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables, and other liabilities.

**THE LEARNING CENTER FOR FAMILIES**  
**Notes to the Financial Statements**  
**June 30, 2006**

---

**Note 1.        Summary of Significant Accounting Policies, Continued**

---

Basis of Presentation

The financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, *Financial Statements of Not-for-Profit Organizations*. Under SFAS No. 117, the Center is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted, temporarily restricted, and permanently restricted.

Contributions

In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made," contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence and/or nature of any donor restrictions.

Contributed Services

During the year ended June 30, 2006, the Center's Early Head Start program benefited from the services of volunteers. The Center recorded donation revenue of \$114,381 in the statement of activities for services meeting the requirements for recognition. Additional services contributed to the Center's Early Head Start program by volunteers, valued at \$25,212, did not meet the requirements for recognition and, therefore, have not been recorded.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Cash and Cash Equivalents

For purposes of the statement of cash flows and footnote 2, the Center considers all unrestricted highly liquid investments with an initial maturity of three months or less to be cash equivalents.

Inventory

Office and other supplies are deemed immaterial and not recorded as inventory.

**THE LEARNING CENTER FOR FAMILIES**  
**Notes to the Financial Statements**  
**June 30, 2006**

---

**Note 1.      Summary of Significant Accounting Policies, Continued**

---

Property and Equipment

Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use and contributions of cash that must be used to acquire property and equipment are reported as restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Center reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Center reclassifies temporarily restricted net assets to unrestricted net assets at that time.

Depreciation of property and equipment is provided on the straight-line method over their estimated useful lives as follows:

Vehicles	5 years
Equipment	3-10 years
Furniture & Fixtures	5-10 years
Leasehold Improvements	3-39 years

Maintenance, repairs and renewals, which neither materially add to the value of the property nor appreciably prolong its life, are charged to expense as incurred. Major renewals and betterments are capitalized. Gains or losses on dispositions of property and equipment are included in revenue in the year of disposition.

Income Taxes

No amounts have been paid or accrued for income taxes as the Center is a nonprofit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

**THE LEARNING CENTER FOR FAMILIES**  
**Notes to the Financial Statements**  
**June 30, 2006**

---

**Note 2.      Cash and Investments**

---

At year end the carrying amount of the Center's deposits was \$35,323 and the bank balance was \$113,702. Of the bank balance, \$113,702 was covered by federal depositor insurance.

The Center's deposits at year end are shown as follows:

	Carrying Amount
Cash on hand	\$      400
Cash in bank	<u>34,923</u>
Total	<u>\$    35,323</u>

Cash and investments are reported in the Statement of Financial Position as follows:

Cash and cash equivalents	\$    35,323
Restricted cash	<u>0</u>
Total	<u>\$    35,323</u>

Restricted cash is cash held that must be used according to the grant agreements. All grant-restricted funds are held in non-interest bearing bank accounts. Unrestricted cash is held in accounts that bear interest.

---

**Note 3.      Grants Receivable**

---

Grants receivable for services provided is \$108,615 net of allowance for doubtful accounts of \$0.

**THE LEARNING CENTER FOR FAMILIES**  
**Notes to the Financial Statements**  
**June 30, 2006**

**Note 4. Property and Equipment**

The following table summarizes the changes to fixed assets during the year ended June 30, 2006. Depreciation expense for the year ended June 30, 2006 is \$63,835.

	Balance 6/30/2005	Additions	Disposals	Balance 6/30/2006
Furniture & Equipment	\$ 337,782	\$ -	\$ (295,117)	\$ 42,665
Vehicles	37,959	-	-	37,959
Leasehold Improvements	52,726	-	-	52,726
<b>Total</b>	<b>428,467</b>	<b>-</b>	<b>(295,117)</b>	<b>133,350</b>
Less Accumulated Depreciation	(259,681)	(63,835)	221,979	(101,537)
	<u><b>\$ 168,786</b></u>	<u><b>\$ (63,835)</b></u>	<u><b>\$ (73,138)</b></u>	<u><b>\$ 31,813</b></u>

**Note 5. Retirement Plan**

The Center maintains a 403(b) Retirement Savings Plan. The plan contains provisions for 50 percent matching contributions of up to 10 percent deferral of eligible employees' annual wage. The plan covers employees of the Center having reached the age of 21 and having worked at least one year during which the employee was compensated for at least 1000 hours. Contributions are made based on regular payroll compensation for each eligible employee and are employees are fully vested in the plan after two full years of participation. Contributions are made based on regular payroll compensation for each eligible employee. For the year ended June 30, 2006, employer contributions were \$13,768.

**Note 6. Risk Management**

The Center is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Center maintains insurance for auto liability, employee dishonesty and general liability through various insurance policies purchased through Hafen Insurance, Inc. Worker's Compensation is carried through the State Worker's Compensation Fund.

**THE LEARNING CENTER FOR FAMILIES**  
**Notes to the Financial Statements**  
**June 30, 2006**

---

**Note 7.      Related Party Transaction**

---

During the 2006 fiscal year the Center purchased auto liability, employee dishonesty, general liability and employee disability insurance policies from Brad Hafen of Hafen Insurance. Mr. Hafen is the President of the Center's Board of Directors. The total amount paid to Hafen Insurance during the fiscal year was \$5,248 and the Center had a credit balance with Hafen Insurance at June 30, 2006 of \$3,873.

---

**Note 8.      Cumulative Affect of Change in Accounting Principle**

---

In 2006, the Center changed their capitalization threshold for fixed assets. The Center decided to be consistent with the state threshold of \$5,000 required in the grant contracts. The cumulative affect of this change in accounting principle on prior periods of \$73,138 was recorded in the current year.

## **SUPPLEMENTARY INFORMATION**

**THE LEARNING CENTER FOR FAMILIES**  
**Statement of Functional Expenses**  
**For the Year Ended June 30, 2006**

<u>Expense category</u>	<u>Program A</u>		<u>Total</u>
	<u>Early Intervention</u>	<u>Management</u>	
	<u>Early Head Start</u>	<u>&amp; General</u>	
Child care partners	\$ 81,335	\$ -	\$ 81,335
Child find	3,151	-	3,151
Contract labor	119,146	-	119,146
Depreciation	56,175	7,660	63,835
In-service and education	35,812	4,884	40,696
Insurance	13,609	1,856	15,465
Janitorial and repairs	14,751	2,011	16,762
Membership dues	483	66	549
Office supplies	49,606	6,765	56,371
Payroll taxes and benefits	291,585	39,762	331,347
Postage	660	90	750
Professional fees	2,291	312	2,603
Program supplies	81,978	-	81,978
Rent	48,239	6,578	54,817
Salaries and wages	760,121	103,653	863,774
Telephone and utilities	11,752	1,602	13,354
Travel	64,557	8,803	73,360
Total expenses	<u>\$ 1,635,251</u>	<u>\$ 184,042</u>	<u>\$ 1,819,293</u>

See accountants' report.



**FEDERAL AND STATE REPORTS**



**HINTONBURDICK**  
HINTON BURDICK HALL & SPILKER PLLC  
**CPAS & ADVISORS**

**Independent Auditor's Report on Compliance with  
Laws and Regulations and on  
Internal Control over Financial Reporting  
Based on an Audit of General-Purpose  
Financial Statements Performed in Accordance  
with *Government Auditing Standards***

**MEMBERS:**  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
BRENT R. HALL  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
PHILLIP S. PEINE  
MICHAEL K. SPILKER  
MARK E. TICHENOR

Executive Director and Members of the Board  
The Learning Center for Families  
St. George, Utah

We have audited the financial statements of The Learning Center for Families (a nonprofit organization), as of and for the year ended June 30, 2006, and have issued our report thereon dated December 22, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether The Learning Center for Families' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain instances of noncompliance, which we have reported to management of The Learning Center for Families in the accompanying findings and recommendations letter dated December 22, 2006.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered The Learning Center for Families' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

However, we noted other matters involving the internal control over financial reporting, which we have reported to management of The Learning Center for Families in the accompanying findings and recommendations letter dated December 22, 2006.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Hinton, Burdick, Hall & Spilker PLLC*  
HINTON, BURDICK, HALL & SPILKER, PLLC  
December 22, 2006



**HINTON BURDICK**  
**HINTON BURDICK HALL & SPILKER PLLC**  
**CPAs & ADVISORS**

**MEMBERS:**

**KRIS J. BRAUNBERGER**  
**DEAN R. BURDICK**  
**ROBERT S. COX**  
**BRENT R. HALL**  
**KENNETH A. HINTON**  
**MORRIS J. PEACOCK**  
**PHILLIP S. PEINE**  
**MICHAEL K. SPILKER**  
**MARK E. TICHENOR**

**Independent Auditors' Report on  
State Legal Compliance**

Executive Director and Members of the Board  
The Learning Center for Families  
St. George, Utah

We have audited the financial statements of The Learning Center for Families, a nonprofit corporation, for the year ended June 30, 2006, and have issued our report thereon dated December 22, 2006. As part of our audit, we have audited The Learning Center for Families' compliance with the requirements of the provider contract determined to be a major State assistance program as required by the State of Utah Legal Compliance Audit Guide for the year ended June 30, 2006. The Learning Center for Families received the following major assistance programs from the State of Utah:

**Utah Department of Health – Baby Watch Early Intervention Program**

The management of The Learning Center for Families is responsible for its compliance with the compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material non-compliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about The Learning Center for Families' compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit procedures disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying findings and recommendations letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion, The Learning Center for Families complied, in all material aspects, with the requirements governing types of services allowed or unallowed; eligibility; matching; level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major State assistance programs for the year ended June 30, 2006.

*Hinton, Burdick, Hall & Spilker PLLC*  
**HINTON, BURDICK, HALL & SPILKER, PLLC**  
December 22, 2006

**THIS PAGE INTENTIONALLY LEFT BLANK**

**THE LEARNING CENTER FOR FAMILIES**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2006**

<u>Program By Federal Agency or Department</u>	<u>Federal Catalog Number</u>	<u>Pass-through Grantor # or Contract</u>	<u>Total Awards Expended</u>
Department of Education			
Pass-through grant from Utah Department			
Health - Early Intervention Program	84.181A	056420	\$ 239,478
Department of Health and Human Services			
Early Head Start	93.600	08CH0133/05 08CH0133/04	571,833 *
Total Expenditures of Federal Awards			<u>\$ 811,311</u>

\* Major Program

**THE LEARNING CENTER FOR FAMILIES**  
**Notes to the Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2006**

---

**Note 1.      Basis of Presentation**

---

The accompanying schedule of expenditures of federal awards includes the federal grant activity of The Learning Center for Families and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the general purpose financial statements.

---

**Note 2.      Pass-through Awards**

---

The Learning Center for Families receives certain federal financial assistance from pass-through awards. The total federal expenditures of federal awards from pass-through activity are noted above.



**HINTONBURDICK**  
HINTON BURDICK HALL & SPILKER PLLC  
**CPAS & ADVISORS**

**Report on Compliance with Requirements  
Applicable to Each Major Program  
and on Internal Control over Compliance  
in Accordance with OMB Circular A-133**

**MEMBERS:**  
KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
BRENT R. HALL  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
PHILLIP S. PEINE  
MICHAEL K. SPILKER  
MARK E. TICHENOR

Executive Director and Members of the Board  
The Learning Center for Families  
St. George, Utah

Compliance

We have audited the compliance of The Learning Center for Families with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2006. The Learning Center for Families' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of The Learning Center for Families' management. Our responsibility is to express an opinion on The Learning Center for Families' compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The Learning Center for Families' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of The Learning Center for Families' compliance with those requirements.

In our opinion, The Learning Center for Families complied, in all material respects, with the requirements referred to above that are applicable to its major federal programs for the year ended June 30, 2006.

Internal Control Over Compliance

The management of The Learning Center for Families is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs.



In planning and performing our audit, we considered The Learning Center for Families' internal control over compliance with requirements that could have a direct and material effect on its major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, Board of Directors, and the federal awarding agency and pass-through entity and is not intended to be and should not be used by anyone other than these specified parties.

*Hinton, Burdick, Hall & Spilker PLLC*  
HINTON, BURDICK, HALL & SPILKER, PLLC  
December 22, 2006

**THE LEARNING CENTER FOR FAMILIES**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2006**

---

**Section I – Summary of Auditor's Results**

---

Financial Statements

Type of auditor's report issued:

Unqualified

Internal control over financial reporting:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted?

☐ yes ☒ no

Federal Awards

Internal Control over major programs:

- Material weakness(es) identified? ☐ yes ☒ no
- Reportable condition(s) identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?

☐ yes ☒ no

Identification of major programs:

CFDA Number(s)

Name of Federal Program or Cluster

93.600

Head Start

Dollar threshold used to distinguish between type A and type B programs:

\$ 300,000

Auditee qualified as low-risk auditee? ☒ yes

☐ no

**THE LEARNING CENTER FOR FAMILIES**  
**Schedule of Findings and Questioned Costs**  
**For the Year Ended June 30, 2006**

---

**Section II – Financial Statement Findings**

---

None noted

---

**Section III – Federal Award Findings and Questioned Costs**

---

None noted

It has been a pleasure to be of service to the Center this year. We would like to express special thanks to each of you who assisted us in this audit. We invite you to ask questions of us throughout the year as you feel it necessary and we look forward to a continued pleasant professional relationship.

Sincerely,

*Hinton, Burdick, Hall + Spilker PLLC*  
HINTON, BURDICK, HALL & SPILKER, PLLC  
December 22, 2006



**HINTONBURDICK**  
HINTON BURDICK HALL & SPILKER PLLC  
**CPAs & ADVISORS**

**Findings and Recommendations**

Executive Director and Members of the Board  
The Learning Center for Families  
St. George, Utah

Ladies and Gentlemen:

During our audit of the financial statements of The Learning Center for Families for the fiscal year ended June 30, 2006, we noted a few areas that, if improved, would strengthen the Organization's accounting system and control over its assets. These items are discussed below for your consideration.

**Compliance Findings and Recommendations:**

**05-01. Medicaid Reimbursement**

Finding

While reviewing Medicaid reimbursements through the baby watch early intervention program, we noted that the Center was not filing for Medicaid reimbursement according to the provider contract. The provider contract states that "The Contractor (The Learning Center for Families) agrees to process Medicaid billings at least monthly, to the Department (Utah Department of Health) following the end of the month the billing relates too."

Recommendation

We recommend that the Center establish procedures to ensure that the Medicaid reimbursements are filed according to the provider contract.

**General Findings and Recommendations:**

**05-01. Authorization of Transactions**

Finding

We noted several purchase orders over the internal thresholds for authorization by department heads that were not properly authorized before payment was rendered.

**MEMBERS:**

KRIS J. BRAUNBERGER  
DEAN R. BURDICK  
ROBERT S. COX  
BRENT R. HALL  
KENNETH A. HINTON  
MORRIS J. PEACOCK  
PHILLIP S. PEINE  
MICHAEL K. SPILKER  
MARK E. TICHENOR

Recommendation

As transaction authorization is a key component of internal control, we recommend that the existing policies of the Center be re-emphasized and followed.

05-02. Expense Reimbursements

Finding

While reviewing expense reimbursements, we noted several requests for reimbursement that were for expenses incurred two or three months before the reimbursement request was submitted.

Recommendation

In order for the Center to have an accurate picture of year-to-date expenses incurred on a specific grant, it is vital for the employees to submit their expense reimbursements in a timely manner. We recommend that the Center re-emphasize this fact with the Center's personnel and consider establishing a policy for timely expense reimbursement.

Please respond to the above Findings and Recommendations in letter form for submission to the Utah State Auditor's office as required by State law.

This letter is intended solely for the use of the Board of Directors and management and is not intended to be used and should not be used by anyone other than the specified parties. However, this report is a matter of public record and its distribution is not limited.

It has been a pleasure to be of service to the Organization this past year. We express special thanks to each of you who assisted us so efficiently in this year's audit. We invite you to ask questions of us throughout the year as you feel it necessary. We look forward to a continued professional relationship.

Sincerely,

*Hinton, Burdick, Hall & Spilker PLLC*

HINTON, BURDICK, HALL & SPILKER, PLLC

December 22, 2006



"Promoting the Health and Development of Children  
and Strengthening Their Families Through Community Support"

**RESPONSE TO FINDINGS AND RECOMMENDATIONS  
FISCAL YEAR ENDING JUNE 30, 2006**

**Compliance Findings and Recommendations:**

**05-01. Medicaid Reimbursement**

**Finding**

While reviewing Medicaid reimbursements through the Baby Watch Early Intervention Program, we noted that the Center was not filing for Medicaid reimbursement according to the provider contract. The provider contract states that "The Contractor (The Learning Center for Families) agrees to process Medicaid billings at least monthly, to the Department (Utah Department of Health) following the end of the month the billing relates too."

**Recommendation**

We recommend that the Center establish procedures to ensure that the Medicaid reimbursements are filed according to the provider contract.

**Response**

We have corrected the errors with the initial submittal program provided for us by the State of Utah. We are now catching up on back billings and intend to have those reimbursements made in compliance with the audit.

**05-01. Authorization of Transactions**

**Finding**

We noted several purchase orders over the internal thresholds for authorization by department heads that were not properly authorized before payment was rendered.

**Recommendation**

As transaction authorization is a key component of internal control, we recommend that the existing policies of the Center be re-emphasized and followed.

**Response**



The staff members responsible for authorizations and payments have received additional training for compliance. The importance of this internal control emphasized.

#### 05-02. Expense Reimbursements

##### Finding

While reviewing expense reimbursements, we noted several requests for reimbursement that were for expenses incurred two or three months before the reimbursement request was submitted.

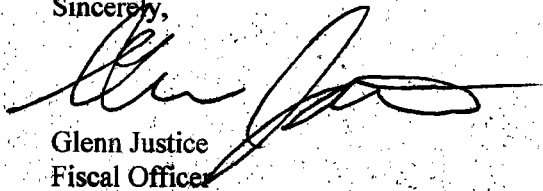
##### Recommendation

In order for the Center to have a accurate picture of year-to-date expenses incurred on a specific grant, it is vital for the employees to submit their expense reimbursements in a timely manner. We recommend that the Center re-emphasize this fact with the Center's personnel and consider establishing a policy for timely expense reimbursement.

##### Response

We have conducted staff training to address this problem. Our policy is that we do not honor expense reimbursements greater than 90 days old.

Sincerely,



Glenn Justice  
Fiscal Officer